

PLDT Inc.
Form 6-K
March 07, 2019

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16

OF THE SECURITIES EXCHANGE ACT OF 1934

March 7, 2019

PLDT INC.

(Translation of registrant's name into English)

Ramon Cojuangco Building

Makati Avenue, Makati City

Philippines

(Address of registrant's principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.
Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101 (b) (1): Yes No

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Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T
Rule 101 (b) (7): Yes No

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby
furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.
 Yes No

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

PLDT
PLDT INC.
(Registrant)

By: /s/ Marilyn A.
Victorio-Aquino

Name: Marilyn A.
Victorio-Aquino
Title: Corporate
Affairs and
Legal Services
Head

Date: 03/07/2019

SEC Number PW-55
File Number

PLDT Inc.

(Company's Full Name)

Ramon Cojuangco Building
Makati Avenue, Makati City

(Company's Address)

(632) 816-8556

(Telephone Number)

Not Applicable

(Fiscal Year Ending)

(month & day)

SEC Form 17-C

Form Type

Not Applicable

Amendment Designation (if applicable)

December 31, 2018

Period Ended Date

Not Applicable

(Secondary License Type and File Number)

March 7, 2019

Securities & Exchange Commission

Secretariat Building, PICC Complex

Roxas Boulevard, Pasay City

Attention: Mr. Vicente Graciano P. Felizmenio, Jr.
Director – Markets and Securities Regulations Dept.

Gentlemen:

In accordance with Section 17.1(b) of the Securities Regulation Code and SRC Rule 17.1.1.1.2, we submit herewith two (2) copies of SEC Form 17-C with Management's Discussion and Analysis and accompanying unaudited consolidated financial statements as at and for the year ended December 31, 2018.

Very truly yours,

/s/ Ma. Lourdes C. Rausa-Chan
MA. LOURDES C. RAUSA-CHAN
Corporate Secretary

COVER SHEET

SEC
Registration
Number
PW-55

Company Name

PLDT INC.

Principal Office (No./Street/Barangay/City/Town/Province)

R AMON COJ UANGCO BUI LDI NG
MAKATI AVENUE MAKATI CI TY

Form Type	Department requiring the report	Secondary License Type, If Applicable
17-C	MSRD	

COMPANY INFORMATION

Company's Email Address Company's Telephone Number/s Mobile Number
jacabal@pldt.com.ph (02) 816-8534

No. of Stockholders Annual Meeting Fiscal Year

4. PLDT INC.

Exact name of issuer as specified in its charter

5. PHILIPPINES

Province, country or other jurisdiction

of Incorporation

6. _____ (SEC Use Only)

Industry Classification Code

7. Ramon Cojuangco Building, Makati Avenue, Makati City 1200

Address of principal office Postal Code

8. (632) 816-8553

Issuer's telephone number, including area code

9. Not Applicable

Former name or former address, if changed since last report

10. Securities registered pursuant to Sections 8 and 12 of the Securities Regulation Code and Sections 4 and 8 of the Revised Securities Act

Title of Each Class	Number of Shares of Common Stock Outstanding
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Common Stock	216,055,775 ⁽¹⁾
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Amount of Debt Outstanding	Php176,276 million as at December 31, 2018
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(1) Represents the total outstanding common shares (net of 2,724,111 Treasury shares).

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PART I – FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

Our consolidated financial statements as at and for the years ended December 31, 2018 and 2017 and related notes (pages F-1 to F-168) are filed as part of this report on Form 17-C.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

In the following discussion and analysis of our financial condition and results of operations, unless the context indicates or otherwise requires, references to “we,” “us,” “our” or “PLDT Group” mean PLDT Inc. and its consolidated subsidiaries, and references to “PLDT” mean PLDT Inc., not including its consolidated subsidiaries (please see Note 2 – Summary of Significant Accounting Policies to the accompanying unaudited consolidated financial statements for the list of these subsidiaries, including a description of their respective principal business activities and PLDT’s direct and/or indirect equity interest).

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the accompanying unaudited consolidated financial statements and the related notes. Our unaudited consolidated financial statements, and the financial information discussed below, have been prepared in accordance with Philippine Financial Reporting Standards, or PFRS, which is virtually converged with International Financial Reporting Standards as issued by the International Accounting Standards Board. PFRS differs in certain significant respects from generally accepted accounting principles, or GAAP, in the U.S.

The financial information appearing in this report and in the accompanying unaudited consolidated financial statements is stated in Philippine pesos. Unless otherwise indicated, translations of Philippine peso amounts into U.S. dollars in this report and in the accompanying unaudited consolidated financial statements were made based on the exchange rate of Php52.56 to US\$1.00, the exchange rate as at December 31, 2018 quoted through the Bankers Association of the Philippines.

Some information in this report may contain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Exchange Act of 1934, as amended. We have based these forward-looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forward-looking words such as “believe,” “plan,” “anticipate,” “continue,” “estimate,” “expect,” “may,” “will” or other similar

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We have chosen these assumptions or bases in good faith. These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors. When considering forward-looking statements, you should keep in mind the description of risks and other cautionary statements in this report. You should also keep in mind that any forward-looking statement made by us in this report or elsewhere speaks only as at the date on which we made it. New risks and uncertainties come up from time to time, and it is impossible for us to predict these events or how they may affect us. We have no duty to, and do not intend to, update or revise the statements in this report after the date hereof. In light of these risks and uncertainties, you should keep in mind that actual results may differ materially from any forward-looking statement made in this report or elsewhere.

Financial Highlights and Key Performance Indicators

	Years ended		Increase	
	December 31, 2018	2017	(Decrease) Amount	%
(amounts in million Php, except for EBITDA margin, earnings				
per common share)	(Unaudited)(Audited)			
Consolidated Income Statement				
Revenues	164,752	159,926	4,826	3
Expenses	150,979	150,415	564	—
Other income (expenses)	9,042	5,058	3,984	79
Income before income tax	22,815	14,569	8,246	57
Net income	18,973	13,466	5,507	41
Core income	25,855	27,668	(1,813)	(7)
EBITDA	64,027	66,174	(2,147)	(3)
EBITDA margin ⁽¹⁾	42	% 44	% —	—
Reported earnings per common share:				
Basic	87.28	61.61	25.67	42
Diluted	87.28	61.61	25.67	42
Core earnings per common share ⁽²⁾ :				
Basic	119.39	127.79	(8.40)	(7)
Diluted	119.39	127.79	(8.40)	(7)

	December 31,		Increase	
	2018	2017	(Decrease) Amount	%
(amounts in million Php, except for net debt to equity ratio)				
(Unaudited)(Audited)				
Consolidated Statements of Financial Position				
Total assets	482,750	459,444	23,306	5
Property and equipment	195,964	186,907	9,057	5
Cash and cash equivalents and short-term investments	52,819	33,979	18,840	55
Total equity attributable to equity holders of PLDT	112,358	106,842	5,516	5
Long-term debt, including current portion	176,276	172,611	3,665	2
Net debt ⁽³⁾ to equity ratio	1.10x	1.30x	—	—

	Years ended December		Change	
	31, 2018	2017	Amount	%
(amounts in million Php, except for operational data)				
(Unaudited) (Audited)				
Consolidated Statements of Cash Flows				
Net cash provided by operating activities	61,116	56,114	5,002	9
Net cash used in investing activities	(25,054)	(21,060)	(3,994)	(19)

Payment for purchase of property and equipment, including

capitalized interest	48,771	37,432	11,339	30
Net cash used in financing activities	(18,144)	(40,319)	22,175	55
Operational Data				
Number of mobile subscribers	60,499,017	58,293,908	2,205,109	4
Prepaid ⁽⁴⁾	58,178,978	55,776,646	2,402,332	4
Postpaid	2,320,039	2,517,262	(197,223)	(8)
Number of broadband subscribers	2,025,563	1,950,881	74,682	4
Fixed Line broadband	1,812,037	1,713,527	98,510	6
Fixed Wireless broadband	213,526	237,354	(23,828)	(10)
Number of fixed line subscribers	2,710,972	2,663,210	47,762	2
Number of employees:	17,222	17,779	(557)	(3)
Fixed Line	10,890	10,737	153	1
LEC	8,772	6,832	1,940	28
Others	2,118	3,905	(1,787)	(46)
Wireless	6,332	7,042	(710)	(10)

⁽¹⁾EBITDA margin for the period is measured as EBITDA divided by service revenues.

⁽²⁾Core earnings per common share, or EPS, for the period is measured as core income divided by the weighted average number of outstanding common shares for the period.

⁽³⁾Net debt is derived by deducting cash and cash equivalents and short-term investments from total debt (long-term debt, including current portion).

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(4) Beginning 2Q2017, the prepaid subscriber base excludes subscribers who did not reload within 90 days vis-à-vis 120 days previous cut-off.

	Month end	Weighted average rates during the year
Exchange Rates – per US\$ rates		
December 31, 2018	52.56	52.68
December 31, 2017	49.96	50.41
December 31, 2016	49.77	47.48

Performance Indicators

We use a number of non-GAAP performance indicators to monitor financial performance. These are summarized below and discussed later in this report.

EBITDA

EBITDA for the year is measured as net income excluding depreciation and amortization, amortization of intangible assets, asset impairment on noncurrent assets, financing costs – net, interest income, equity share in net earnings (losses) of associates and joint ventures, foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net, provision for (benefit from) income tax and other income – net. EBITDA is monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. EBITDA is presented also as a supplemental disclosure because our management believes that it is widely used by investors in their analysis of the performance of PLDT and to assist them in their comparison of PLDT's performance with that of other companies in the technology, media and telecommunications sector. We also present EBITDA because it is used by some investors as a way to measure a company's ability to incur and service debt, make capital expenditures and meet working capital requirements. Companies in the technology, media and telecommunications sector have historically reported EBITDA as a supplement to financial measures in accordance with PFRS. EBITDA should not be considered as an alternative to net income as an indicator of our performance, as an alternative to cash flows from operating activities, as a measure of liquidity or as an alternative to any other measure determined in accordance with PFRS. Unlike net income, EBITDA does not include depreciation and amortization, and financing costs and, therefore, does not reflect current or future capital expenditures or the cost of capital. We compensate for these limitations by using EBITDA as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax, net income, cash flows from operations and cash flow data. We have significant uses of cash flows, including capital expenditures, interest payments, debt principal repayments, taxes and other non-recurring charges, which are not reflected in EBITDA. Our calculation of EBITDA may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Core Income

Core income for the year is measured as net income attributable to equity holders of PLDT (net income less net income attributable to noncontrolling interests), excluding foreign exchange gains (losses) – net, gains (losses) on derivative financial instruments – net (excluding hedge costs), asset impairment on noncurrent assets, other non-recurring gains (losses), net of tax effect of aforementioned adjustments, as applicable, and similar adjustments to equity share in net earnings (losses) of associates and joint ventures. The core income results are monitored by management for each business unit separately for purposes of making decisions about resource allocation and performance assessment. Also, core income is used by management as a basis of determining the level of dividend payouts to shareholders and basis of granting incentives to employees. Core income should not be considered as an alternative to income before income tax or net income determined in accordance with PFRS as an indicator of our performance. Unlike net income, core income does not include foreign exchange gains and losses, gains and losses on derivative financial instruments, asset impairments and other non-recurring gains and losses. We compensate for these limitations by using core income as only one of several comparative tools, together with PFRS-based measurements, to assist in the evaluation of operating performance. Such PFRS-based measurements include income before income tax and net income. Our calculation of core income may be different from the calculation methods used by other companies and, therefore, comparability may be limited.

Overview

We are the largest and most diversified telecommunications company in the Philippines which delivers data and multimedia services nationwide. We have organized our business into business units based on our products and services and have three reportable operating segments which serve as the bases for management’s decision to allocate resources and evaluate operating performance:

• **Wireless** — mobile telecommunications services provided by Smart Communications, Inc., or Smart, and Digital Mobile Philippines, Inc., or DMPI, our mobile service providers; Smart Broadband, Inc., or SBI, and Primeworld Digital Systems, Inc., or PDSI, our wireless broadband service providers; and certain subsidiaries of PLDT Global Corporation, or PLDT Global, our mobile virtual network operations, or MVNO, provider;

• **Fixed Line** — fixed line telecommunications services primarily provided by PLDT. We also provide fixed line services through PLDT’s subsidiaries, namely, PLDT Clark Telecom, Inc., PLDT Subic Telecom, Inc., PLDT-Philcom, Inc. or Philcom, and its subsidiaries, or Philcom Group, PLDT-Maratel, Inc., Bonifacio Communications Corporation, PLDT Global and certain subsidiaries, and Digital Telecommunications Phils., Inc., or Digitel, all of which together account for approximately 4% of our consolidated fixed line subscribers; data center, cloud, big data, managed security services, managed IT services and resellership provided by ePLDT, Inc., or ePLDT, IP Converge Data Services, Inc., or IPCDSI, and subsidiary, or IPCDSI Group, ABM Global Solutions, Inc., or AGS, and its subsidiaries, or AGS Group, Curo Teknika, Inc. and ePDS, Inc., or ePDS; business infrastructure and solutions, intelligent data processing and implementation services and data analytics insight generation provided by Talas Data Intelligence, Inc., or Talas; distribution of Filipino channels and content by Pilipinas Global Network Limited and its subsidiaries; and

• **Others** — Voyager Innovations Holdings, Pte. Ltd., or VIH, and certain subsidiaries, our mobile applications and digital platforms developers and mobile financial services provider; PLDT Communications and Energy Ventures, Inc., or PCEV, PLDT Global Investment Holdings, Inc., PLDT Global Investments Corporation, or PGIC, PLDT Digital Investments Pte. Ltd., or PLDT Digital, and its subsidiaries, our investment companies.

As at December 31, 2018, our chief operating decision maker, or our Management Committee, views our business activities in three business units: Wireless, Fixed Line and Others.

Management’s Financial Review

In addition to consolidated net income, we use EBITDA and core income to assess our operating performance. The reconciliation of our consolidated net income to our consolidated EBITDA and our consolidated core income for the years ended December 31, 2018 and 2017 are set forth below.

The following table shows the reconciliation of our consolidated net income to our consolidated EBITDA for the years ended December 31, 2018 and 2017:

	2018 (Unaudited)	2017 (Audited)
	(amounts in million Php)	
Consolidated net income	18,973	13,466
Add (deduct) adjustments:		
Depreciation and amortization	47,240	51,915

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Financing costs – net	7,067	7,370
Provision for income tax	3,842	1,103
Noncurrent asset impairment	2,122	3,913
Amortization of intangible assets	892	835
Foreign exchange losses – net	771	411
Impairment of investments	172	2,562
Equity share in net earnings (losses) of associates and joint ventures	87	(2,906)
Gains on derivative financial instruments – net	(1,086)	(533)
Interest income	(1,943)	(1,412)
Other income – net	(14,110)	(10,550)
Total adjustments	45,054	52,708
Consolidated EBITDA	64,027	66,174

The following table shows the reconciliation of our consolidated net income to our consolidated core income for the years ended December 31, 2018 and 2017:

	2018 (Unaudited)	2017 (Audited)
	(amounts in million Php)	
Consolidated net income	18,973	13,466
Add (deduct) adjustments:		
Depreciation due to shortened life of property and equipment	4,564	12,816
Noncurrent asset impairment	2,122	3,913
Manpower rightsizing program	1,703	—
Unrealized loss in fair value of investments	1,154	—
Foreign exchange losses – net	771	411
Investment written-off	362	—
Impairment of investments	172	2,562
Core income adjustment on equity share in net losses of associates and joint ventures	23	60
Net income attributable to noncontrolling interests	(57)	(95)
Other nonrecurring income	(1,018)	—
Gains on derivative financial instruments – net, excluding hedge costs	(1,135)	(724)
Net tax effect of aforementioned adjustments	(1,779)	(4,741)
Total adjustments	6,882	14,202
Consolidated core income	25,855	27,668

Results of Operations

The following table shows the contribution by each of our business segments to our consolidated revenues, expenses, other income (expense), income (loss) before income tax, provision for income tax, net income (loss)/segment profit (loss), EBITDA, EBITDA margin and core income for the years ended December 31, 2018 and 2017. In each of the years ended December 31, 2018 and 2017, majority of our revenues are derived from our operations within the Philippines. Our revenues derived from outside the Philippines consist primarily of revenues from incoming international calls to the Philippines.

		Inter-segment	
	Fixed		
Wireless	Line	Others ⁽¹⁾	Trans